



Legislative Finance Committee

57th Montana Legislature

Room 110, State Capitol, ? P.O. Box 201711 ? Helena, MT 59620-1711 ? (406) 444-2986 ? FAX (406) 444-3036

HOUSE MEMBERS

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JOEY JAYNE
DAVE KASTEN
WILLIAM PRICE
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ROYAL JOHNSON
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EMILY STONINGTON
TOM ZOOK

MINUTES

October 5, 2001
Hearing Room 102, State Capitol
Helena, Montana

ROLL CALL FOR OCTOBER 5, 2001

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne, Excused
Rep. Dave Kasten
Rep. William Price
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 1A-010)

The 179th meeting of the Legislative Finance Committee (LFC) was called to order at 8:30 a.m. by Representative Dave Lewis, Chair, on Friday, October 5, 2001. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana.

1. Approval of Minutes for June 18, 2001 (Tape 2A-123)

Senator Zook moved the minutes of the June 18, 2001, meeting be approved as presented.

VOTE: The motion carried unanimously.

2. September 11, 2001. What happens now? (Tape 1A-115)

Terry Johnson, Principal Fiscal Analyst, presented information from Paul Polzin's presentation entitled "September 11, 2001. What happens now?" (Exhibit 1) Mr. Polzin's presentation included statistics on the economy before and after the September 11, 2001, attack on the World Trade Centers (WTC) in New York City, as well as the GDP growth rate forecast. Mr. Johnson presented Montana's economic statistics before and after the attack and explained the impacts of the WTC attack on Montana's economy.

3. Fiscal 2001 General Fund Status (Tape 1A-515)

Terry Johnson reported to the committee on the fiscal 2001 general fund status. (Exhibit 2 and 2A) His report provided preliminary fiscal 2001 ending fund balance data for the general fund account and a comparison between budgeted data as developed by the 56th and 57th Legislatures and what actually occurred in fiscal 2001. Mr. Johnson responded to questions from various committee members.

Chuck Swysgood, Director of the Office of Budget and Program Planning (OBPP), provided a response to Mr. Johnson's report and relayed OBPP's concerns regarding forthcoming revenues. He complimented Terry Johnson on his presentation of the general fund status and stated that while Montana is fiscally fairly sound, he still has concerns about its ability to maintain this level due to the growth rate. Mr. Swysgood cautioned the LFC that it is early in the fiscal year and there are several factors that could affect the current balance. These factors include: 1) fire costs; 2) the September 11, 2001, attack on the WTC; and 3) the current drought. Following his comments, Mr. Swysgood responded to questions from LFC members.

Mr. Johnson distributed a new pamphlet entitled, Legislative Fiscal Division, General Fund Analysis, October 5, 2001. (Exhibit 3) This document was created by Mr. Johnson and the Legislative Fiscal Division (LFD) revenue staff to provide an ongoing analysis of the general fund. It will be updated prior to each LFC meeting and frequently during each legislative session and will be available upon request to the LFD.

4. Federal Tax Reform (Tape 2A-132)

An update on the federal tax reform was presented by Jim Standaert, Senior Fiscal Analyst. (Exhibit 4) He explained the Economic Growth and Relief Reconciliation Act of 2001, which was recently passed by Congress, and then described the tax changes in the Act. These tax changes include: 1) tax rate reductions; 2) provisions relating to children; 3) marriage penalty relief; 4) education incentives; and 5) estate, gift, and generation-skipping transfer tax provisions. Mr. Standaert's report also included preliminary estimates of the impact on state revenues, which were provided by Larry Finch, Department of Revenue, Tax Policy and Research.

5. Highways State Special Revenue Account: Working Capital Update (Tape 2A-327)

Greg DeWitt, Senior Fiscal Analyst, presented an update on the Highways State Special Revenue Account (HSRA) working capital. (Exhibit 5) His analysis concluded that current projections of HSRA indicate that the account has a working capital balance adequate to support the present law operations of the department through the current and next two biennia. A concern is raised that future expenditure patterns could result in a movement toward a structural imbalance between revenues and expenditures. However, the imbalance isn't expected to occur until future biennia, and is dependent upon actions that are uncertain at this time. Following his report, Mr. DeWitt responded to questions from committee members.

Director Dave Galt, Department of Transportation (DOT), commented on the HSRA report and then introduced Jim Currie, Deputy Director, for further comment. Mr. Currie basically agreed with Mr. DeWitt's report and further explained several factors, positive and negative, which could affect the account. He also responded to questions from LFC members.

6. Department of Justice Dial-Up Gambling System (Tape 2B-066)

Gene Huntington, Administrator, Gambling Control Division, Department of Justice (DOJ), reported to the LFC on the dial-up gambling system or Automated Accounting and Reporting System (AARS). (Exhibit 6 and 6A) He provided a background summary of this issue, information about the litigation with Lodging and Gaming Systems, Inc. (LGS), and plans for

completion of AARS. Mr. Huntington responded to numerous questions and concerns by members of the LFC regarding expenditures and future funding needed to complete the system.

7. POINTS Implementation Update (Tape 2B-471)

Kurt Alme, Director for Department of Revenue (DOR), addressed the LFC regarding DOR's plan to improve information exchange between DOR and LFD. He distributed copies of DOR's Director's Office Procedures for Handling Information Requests from the Legislative Branch, dated 8/30/01. (Exhibit 7)

Jeff Miller, Process Lead for POINTS, DOR, presented an implementation update on the POINTS project. (Exhibit 8) His report included a background/purpose, information on the project funding, the status of each phase/updates as of October 2, 2001, and probable budget/schedule impacts for this biennium or next. Mr. Miller responded to questions from committee members.

8. Chief Information Officer Introduction, Information Technology Board Update (Tape 3A-521)

Steve Bender, Deputy Director for Department of Administration (DOA), introduced Brian Wolf, the new Chief Information Officer (CIO) for Information Technology Services Division, DOA.

Mr. Wolf talked about his experience and the expertise he brings to the new position of CIO. He presented information on the implementation of the Montana Information Technology Act (SB 131), which included IT planning and program responsibilities, a strategic planning timeline, a list of the Information Technology Board members, monitoring and enforcement, budget oversight, and legislative oversight. (Exhibit 9). He also distributed copies of two memos to Agency Heads, Agency Purchasing Officials, Information Technology Managers Council (ITMC), one from him regarding the SB 131 Implementation Requirements for Information Technology Procurements (Exhibit 9A) and one from Tony Herbert, Deputy CIO, regarding SB 131 Implementation Requirements for Information Technology Contracts (Exhibit 9B). Following his presentation, he answered questions from several LFC members.

9. Health Insurance Portability and Accountability Act (HIPAA) (Tape 3B-196)

Lois Steinbeck, Senior Fiscal Analyst, introduced the issue of Health Insurance Portability and Accountability Act (HIPAA). John Chappuis, Deputy Director for Department of Public Health and Human Services (DPHHS), provided a summary explanation of HIPAA and briefly commented on the funding and implementation. Sally Klein, HIPPA Coordinator for DPHHS, presented a detailed explanation of HIPPA and outlined implementation steps. (Exhibit 10) Mr. Chappuis and Ms. Klein responded to questions from the committee members.

10. TANF Implementation (Tape 3B-699)

Pat Gervais, Associate Fiscal Analyst, presented the issue of TANF implementation. (Exhibit 11) As required by HB 2, Hank Hudson, DPHHS, reported to the LFC on the TANF spending. (Exhibit 12) Following Mr. Hudson's report, Mrs. Gervais provided a wrap-up on this issue and pointed out that the language in HB 2 says OBPP may reduce FAIM Phase II-R in the event certain conditions are met. However, it does not preclude the department considering changes in base expenditures to address any deficits in TANF spending. She also clarified that the Legislature did appropriate general fund monies adequate to cover the required Maintenance of Effort (MOE).

The last issue Mrs. Gervais presented to the LFC related to HB 273 and the transfer of funds to the low-income housing fund. She related her discussion with Greg Petesch, Director of Legal Services for the Legislative Services Division, regarding this issue. It was also noted that legal staff from DPHHS has differing opinions on this issue. **MOTION:** Following discussion by LFC members, **Senator Keenan** moved the LFC ask for a formal opinion from Greg Petesch on this issue. Further discussion ensued and then a substitute motion was offered. **SUBSTITUTE MOTION: Representative Forrester** moved the LFC ask for formal opinions from both Greg Petesch and DPHHS legal staff. **VOTE:** Motion carried unanimously.

11. Fiscal 2002 Fire Costs (Tape 4B-050)

Gary Hamel reported to the committee on the fiscal 2002 fire costs. (Exhibit 13) He distributed a revised Table 1 with updated costs. He and Don Artley, Department of Natural Resources & Conservation (DNRC), responded to questions from LFC members.

12. HJR 1 Interim Study of Public Mental Health Services Update (Tape 4B-330)

Senator Keenan provided an update on the status of the HJR 1 Interim Study Subcommittee. Lois Steinbeck presented the HJR 1 Study Plan adopted by the subcommittee. (Exhibit 15)

13. Status of Interim Studies (Tape 5A-001)

SJR 22 Joint Subcommittee on Health Care and Health Insurance (SJR 22 Subcommittee) – Gordon Higgins, Research Analyst, Legislative Services Division, reported to the LFC on the status of the SJR 22 Subcommittee, which met for the first time on August 30, 2001. (Exhibit 16)

Postsecondary Education Policy and Budget Subcommittee (PEPB Subcommittee) – Pam Joehler reported the Education and Local Government Committee has not yet decided whether to form a PEPB Subcommittee.

Local Government Dedicated Revenues Subcommittee (SB 162 Review Subcommittee) – Jon Moe provided a status report on the SB 162 Review Subcommittee, which met on October 4, 2001.

Governor's Council on Education Funding (Education Funding Study) – Jim Standaert reported to the LFC on the status of the Education Funding Study. (Exhibit 17)

14. Other Reports (Tape 5A-600)

The informational reports and operating plan changes and program transfers were included in the LFC notebooks but were not formally presented as there were no issues identified by the LFD staff. (Exhibit 18)

15. LFD Interim Work Plan: Review/Update (Tape 5A-610)

Clayton Schenck, Director of LFD, presented an update of the LFD interim work plan. (Exhibit 19)

16. Committee Business (Tape 3B-640)

Clayton Schenck presented the items under committee business. (Exhibit 20) He explained the adjustment for fiscal 2002 on the LFD operating plan and asked for approval from the LFC.

MOTION: Senator Jergeson moved that the proposed LFD operating plan changes for fiscal 2002 as described in items 1 through 3 of the LFA memo dated October 4, 2001, and as shown in the attached table be approved. It is understood that the fiscal 2001 carryforward amount is an estimate and may be adjusted slightly, but the full 30 percent carryover is authorized. **VOTE:** Motion carried unanimously.

The Management Advisory Committee (MAC) recommended a 4 percent salary increase for Clayton Schenck as director of LFD. This increase is equal to the amount being given to all other state employees. **MOTION: Senator Nelson** moved the LFC approve a 4 percent salary increase for Clayton Schenck. **VOTE:** Motion carried unanimously.

Mr. Schenck distributed a copy of a draft State of Montana Legislative Branch Director Performance Appraisal Form. (Exhibit 21) This draft performance appraisal form has been reviewed by MAC and they will recommend its adoption by the Legislative Branch.

Next LFC Meeting

The next meeting of the LFC will be held on December 7, 2001.

Adjournment

MOTION: Representative Tropila moved to adjourn. **VOTE:** Motion carried unanimously.

Meeting adjourned at 4:15 p.m.

Representative Dave Lewis, Chairman

Cindy Campbell, Committee Secretary

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